

combination of the safety fund and security principles. The bank was not, as its name might imply, an institution of State, but was owned entirely by individuals and acted as a sort of board of control for the branch banks. Each branch was required to deposit with the board of control ten per cent, of the amount of its circulating notes, either in specie or in the bonds of the State or the United States, as a safety fund for the protection of the entire note issues of the bank. Each branch was liable for the circulation, but not for the other liabilities, of the other branches. The reimbursement of the safety fund for notes redeemed was constituted the first lien on the assets of a failed branch. The State Bank of Ohio was eminently successful and was managed in much the same way as the State Bank of Indiana. The aggregate capital of the thirty-six branches in 1863 was \$4,054,700 ; circulation, \$7,246,513; loans and discounts, \$8,653,459; deposits, \$5,631,629; and specie, \$2,216,982.

The State of Michigan enacted a safety-fund law in 1836, but it was forgotten and ignored in the phrensy of paper inflation which swept over the State during the next few years. The first session of the State legislature in 1837 passed a general banking law, which was followed up after the panic in the same year by an act permitting new banks to begin business in a condition of suspension of specie payments. Thirty per cent, of the capital was required to be paid in specie, but this provision was evaded by borrowing specie for a few days when the bank commissioners made their tours of inspection. Any twelve free-holders could form a bank if they were able to show a capital of \$50,000, including thirty per cent, in specie and the remainder in bonds and mortgages approved by the Auditor General of the State.¹ The restraints of the law were so recklessly violated that the State was soon flooded with \$1,000,000 in worthless bills. Banks were created after specie resumption in the most inaccessible places, that their notes might not be presented for redemption; and Eastern speculators took out

¹ Felch, Senate Ex. Doc. 38, 52^d Cong., 2^d Sess., 76.